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Date: May 2, 2014

To: Douglas County Grant Recipients

From: Helga Cotter, Budget Analyst

RE: Grant Guidance

Each fiscal year the Finance Division prepares a "Schedule of Federal Financial Assistance" which reports all federal grant expenditures for the year. A "single audit" is an audit of this schedule performed by our external auditors in conjunction with our annual financial audit. The single audit tests compliance with the following federal regulations:

- Office of Management & Budget (OMB) Circular A-133,
- OMB Circular A-87, Cost Principles of State, Local and Indian Tribal Governments.

The single audit is the federal government's way of testing if federal funds have been properly used by the grantee. Any instance of non-compliance is reported as a "finding" in the annual audit report and is reported to the Federal Audit Clearinghouse. This "Clearing House" information is available on-line, and is reviewed by federal awarding agencies. If the finding is significant or on-going, it could jeopardize future federal funding and may put the County at risk for additional audits which are costly.

The County received several single audit findings for the year ended June 30, 2013. In response, the Finance Division is working on policies and procedures specific to grant management and on developing reference materials for use by County departments. In the meantime, we will address the following audit findings Douglas County received and provide guidance to strengthen grant management procedures.

Unallowable Costs:

We must ensure all costs charged to a federal program (whether directly for reimbursement or used as match in a program) are allowable. Using OMB Circular A-87, and the grant agreement as guidance, it's usually safe to conclude that a cost may be charged (is allowable) to a grant if the cost is:

1. Allowable according to OMB Circular A-87 (a copy of which is attached)
2. Included in your approved grant budget
3. Not excluded by the terms of your grant award letter or agreement
4. Capable of being allocated
5. Treated consistently when charged
6. Reasonable
7. Necessary to the project
8. Not otherwise disallowed by law, executive order, or agency funding regulations

Please ensure all costs charged to your federal grant are allowable. Inevitably, honest mistakes are sometimes made in allocating or charging costs to a grant. If this happens, immediately correct the mistake through appropriate journal entries or correction memos. If costs were inaccurately charged to a program, reverse the

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charges as soon as possible and note the change in writing. Please coordinate any correcting journal entries with me and ensure any necessary reports are corrected.

Reports not properly supported by underlying financial data:

Whether you are requesting funds for reimbursement or reporting on funds already spent, please ensure the reported information is properly supported. The supporting documents should be kept with a copy of the report in your files as evidence that all numbers reported to the grantor are substantiated.

Prevailing Wage Construction Projects:

If you have a federally funded construction project that is required to pay prevailing wages, certified payroll reports must be submitted weekly. Please date stamp the certified payroll reports as evidence that they are being submitted timely. Although the finding was related specifically related to timely submission of certified payroll reports, you will also need to ensure the wages are paid in accordance with Davis Bacon regulations. Please call me if you have any questions.

Program Income:

Program income is money that is earned by a program that also receives federal funds. An example is fare box revenue received from the public bus system or client contributions for services provided. This income must be reported on the Schedule of Federal Financial Assistance. If you have program income related to your federal grant, please inform me by July 15th after the end of the fiscal year. If you are unsure if your grant has program income, please contact me. In addition, the use of program income differs between grants. Most grants want you to use program income to enhance the program that used the original grant funding. Your grant guidance will outline the uses of program income.

Allocating Personnel Time to Federal Grants

If an employee spends 100% of their time on one federal program and their salary and benefits are being charged to this program, then the employee must sign a Semi-Annual certification form, certifying this fact. If an employee's salary and benefits are being charged a portion to one or more federal programs, they must sign a Federally Funded Activity Certification form. This form must be prepared at least monthly, must coincide with one or more pay periods and must be completed after the fact of the actual activity. These supporting forms must be kept in the grant files as evidence that they were completed. These forms can be found on the website under the Finance Division, Grants section. Please see the attached documentation for more details.

Pass-thru Grants

OMB circular A-133 provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency. A pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. Please find attached a Douglas County Notice of Sub Grant Award form that will need to be completed and signed if a grant is received and passed through to another entity. One copy will need to be submitted to the Finance Division for our records. This form can be found on the website under the Finance Division, Grants section. The copy of the audit report will also need to be furnished to the Finance Division for review within the time frames set forth above.

Please call me at 782-9029 if you have any questions, and feel free to provide any feedback and suggestions to make this process better.



DOUGLAS COUNTY NOTICE OF SUBGRANT AWARD

Grant Title:

Awarding Agency:

Federal Grant #:

SubGrantee:

Pass Thru Agency:

Address:

Address:

Subgrant Period

Pass Thru Agency EIN:

Grant Amount:

Pass Thru Agency DUNS#:

Source of Funds:	Amount	% of Funds	CFDA#	CFDA Title
State Grant Funds				
Matching Funds	\$ -			

Reason For Award: Incentivize expansion and relocation of business that result in the creation of high quality, primary jobs.

Approved Budget Categories:			
1. Personnel			
2. Contractual/ Consultant	\$	-	
3. Travel	\$		
4. Training	\$		
5. Operating	\$	-	
6. Other	\$		
Total Cost:	\$	-	

Disbursement of Funds:
Expenditures will be made by the Pass Thru Agency and then reimbursements requests will be submitted to the Awarding Agency by the Subgrantee. Payment will be made upon receipt and acceptance of an invoice and supporting materials for actual expenditures specific to this subgrant. Total reimbursements will not exceed the amount of the grant award listed above during the above subgrant period.

Terms and Conditions:
In accepting these grant funds, it is understood that:
1. Expenditures must comply with appropriate state and/or federal regulations.
2. This award is subject to the availability of appropriate funds.
3. Recipient of these funds agrees to stipulations listed in this subaward agreement.
4. Recipient will provide copy of annual fiscal audit report to subgrantee within nine months of subrecipients's audit period.
5. Any tracking of hours will require submittal of a Federally Funded Certification form on a monthly or semiannual basis. (if applicable)

Authorized Subgrantee Official: (Pass Thru Agency)			
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	Print Name , Title	Signature	Date
Douglas County Authorized Official: (Subgrantee)			
	Print Name , Title	Signature	Date

Note: Please provide a copy of the final completed report to the Finance Division, the Subgrantee and the Pass Thru Agency.

Allocating Personnel Time to Federal Grants

The following guidance is based on Circular A-87 (Appendix C). If you want to charge personnel costs to a federally funded program, you must follow this guidance. Some key points to remember as you are tracking personnel costs:

1. Any charges to federal programs must be fully documented
2. Personnel charges are an after-the-fact certification and distribution

If you have any questions or concerns, please contact the Finance Division.

Employee's time charged 100% to a single federal program

If an employee spends their entire time on one federal program and their salary and benefits are being charged to this program, then the employee must sign a semi-annual certification, certifying to this fact. An example of one is attached under Appendix A. Also, if you want an electronic copy, please see the comptroller folder on the public drive. This certification occurs after the work has been done. We suggest you obtain the certification at the 6 month and yearly mark. For example, if your grant is based on a federal fiscal year (Oct – Sept), then you would obtain the certification in April (for Oct – March) and Oct (for April – Sept).

Employee's time charged in portion to one or more federal programs

The following is an excerpt from the A-87:

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the *total activity*, for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

In order to accomplish this, we have provided a form to be completed by the employee on a monthly basis. It is shown in Appendix B. Again, if you would like an electronic copy, please see the Finance Division - Grants on the website. This form must coincide with the pay periods of the county. You may provide a certification a pay period basis or monthly basis depending on what is easier for the employee. **Please remember, if you want to charge personnel costs to a federally funded program, you must account for all of your time on the certification.** In addition, the attached form is the minimum requirements to charge personnel costs to a federally funded program. Your grantee may require more detailed timekeeping (i.e. daily timesheets).

Alternate form of Time Keeping

If you would like to use an alternate form of time keeping for grants, you must discuss it with the grant accountant in the Finance Division to ensure all requirements are being met.

Appendix A

Federally Funded Semi-Annual Certification

Employees Charged 100% to a Single Federally Funded Program

Fiscal Year: _____
Coincide with fiscal year of grant

I understand my position is funded entirely by _____
Name of Federal Program

I certify that 100% of my job duties were related to activities in compliance with this grant during the period from _____
Either 1st or 2nd 6-months of fiscal year listed above

This information recorded above is true and correct to the best of my knowledge.

Employee Name (Please Print): _____

Employee Signature: _____

Date Signed: _____

Appendix B

Federally Funded Activity Certification

Employees charged a portion to one or more federally funded program, but not 100% to a Single Federally Funded Program

Fiscal Year: _____
Coincide with fiscal year of grant

I understand my position is funded in part by _____
Name of Federal Program(s)

For _____, I certify that my job duties were
Enter either a month or a pay period ending date
related to the following activities. I certify that I am in compliance with any federally funded activities.

Federal Grant (Yes/No)	Activity	% of Time
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

This information recorded above is true and correct to the best of my knowledge.

Employee Name (Please Print): _____

Employee Signature: _____

Date Signed: _____

Appendix C

OMB Circular A-87, Cost Principles of State, Local, and Indian Tribal Governments

Attachment B, Selected Items of Cost, Section 8

8. *Compensation for personal services.*

- A) General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:
 - 1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities;
 - 2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
 - 3) Is determined and supported as provided in subsection h.
- B) Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.
- C) Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.
- D) Fringe benefits.
 - 1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or an established policy of the governmental unit.
 - 2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.
 - 3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave

when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

- 4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.
 - 5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.
- E) Pension plan costs. Pension plan costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- 1) For pension plans financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
 - 2) Pension costs calculated using an actuarial cost based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.
 - 3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.
 - 4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.
 - 5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.
- F) Post retirement health benefits. Post retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection e. for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- 1) For PRHB financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
 - 2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant

agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

- 3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.
- 4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.
- 5) To be allowable in the current year, the PRHB costs must be paid either to:
 - a) An insurer or other benefit provider as current year costs or premiums, or
 - b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post retirement benefits to retirees and other beneficiaries.
- 6) The Federal Government shall receive an equitable share of any amounts of previously allowed post retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

G) Severance pay.

- 1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.
- 2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- 3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency.

H) Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

- 1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- 2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- 3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- 4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent

documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a) More than one Federal award,
- b) A Federal award and a non Federal award,
- c) An indirect cost activity and a direct cost activity,
- d) Two or more indirect activities which are allocated using different allocation bases, or
- e) An unallowable activity and a direct or indirect cost activity.

5) Personnel activity reports or equivalent documentation must meet the following standards:

- a) They must reflect an after the fact distribution of the actual activity of each employee,
- b) They must account for the total activity for which each employee is compensated,
- c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- d) They must be signed by the employee.
- e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

- a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
 - (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);
 - (ii) The entire time period involved must be covered by the sample; and
 - (iii) The results must be statistically valid and applied to the period being sampled.

- b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.
- c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

I) Donated services.

- 1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule.
- 2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.
- 3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.